CHALIECO
中铝国际

中鋁國際工程股份有限公司
China Aluminum International Engineering Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2068)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

The revenue of the Group for the year ended 31 December 2016 amounted to RMB24.77 billion, representing an increase of 27.3% compared with last year.

The profit of the Group for the year ended 31 December 2016 amounted to RMB1.30 billion, representing an increase of 93.7% compared with last year.

The earnings per share of the Company for the year ended 31 December 2016 was RMB0.43. The proposed dividends were RMB0.87 for every ten shares in cash. The dividend payout ratio was 20%.

The gearing ratio of the Group was 66.3% as at 31 December 2016, representing a decrease of 0.8 percentage points compared with the end of last year.

The board of directors (the "**Board**") of China Aluminum International Engineering Corporation Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries for the year ended 31 December 2016, together with comparative figures for the corresponding period of 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**24,765,620**	19,449,529
Cost of sales	**(22,033,172)**	(17,210,007)
Gross profit	**2,732,448**	2,239,522
Business tax and surcharges	**(113,358)**	(210,605)
Selling and marketing expenses	**(117,538)**	(87,502)
Administrative expenses	**(1,155,247)**	(1,048,861)
Other income	**109,364**	134,191
Other losses – net	**(128,420)**	(57,441)
Operating profit	**1,327,249**	969,304
Finance income	**322,076**	323,608
Finance expenses	**(506,296)**	(451,437)
Gain on disposal of an associate	**190,249**	–
Gain on partial disposal of an associate	**68,079**	–
Gain on bargain purchase from business combination	**269,651**	–
Share of (losses)/profits of investments accounted for using equity method	**(89,281)**	20,152
Profit before income tax	**1,581,727**	861,627
Income tax expense	**(279,360)**	(189,214)
Profit for the year	**1,302,367**	672,413
Other comprehensive income		
Items that may be reclassified to profit or loss		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	**(1,090)**	9,807
Reclassified to profit on disposal of available-for-sale financial assets, net of tax	**–**	(27,443)
Reclassification upon partial disposal of an associate, net of tax	**(15,593)**	–
Reclassification upon disposal of an associate, net of tax	**(41,321)**	–
Currency translation differences	**81,413**	73,038
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations, net of tax	**33,094**	(32,148)
Other comprehensive income for the year, net of tax	**56,503**	23,254
Total comprehensive income for the year	**1,358,870**	695,667

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – Continued

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit attributable to:		
Equity owners of the Company	**1,144,403**	540,979
Non-controlling interests	**157,964**	131,434
	1,302,367	672,413
Total comprehensive income attributable to:		
Equity owners of the Company	**1,200,796**	563,366
Non-controlling interests	**158,074**	132,301
	1,358,870	695,667
	RMB	*RMB*
Earnings per share for profit attributable to equity owner of the Company		
– Basic	**0.43**	0.20
– Diluted	**0.43**	0.20

CONSOLIDATED BALANCE SHEET

	As at 31 December 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Assets		
Non-current assets		
Property, plant and equipment	**2,440,728**	2,052,454
Land use rights	**788,902**	792,950
Investment properties	**179,774**	77,994
Trade and notes receivables	**1,637,814**	1,752,312
Prepayments and other receivables	**1,639,934**	592,047
Intangible assets	**128,364**	142,610
Investments accounted for using equity method	**212,831**	299,539
Available-for-sale financial assets	**233,799**	9,973
Deferred income tax assets	**424,159**	381,250
Other non-current assets	**27,912**	12,015
Total non-current assets	**7,714,217**	6,113,144
Current assets		
Available-for-sale financial assets	**18,000**	149,200
Inventories	**1,339,558**	771,765
Trade and notes receivables	**14,419,026**	10,687,753
Prepayments and other receivables	**4,256,685**	3,330,491
Amounts due from customers for contract work	**6,164,121**	4,098,534
Current income tax prepayments	**18,187**	85,978
Restricted cash	**910,192**	723,510
Time deposits	**18,426**	28,929
Cash and cash equivalents	**7,714,218**	4,847,792
Total current assets	**34,858,413**	24,723,952
Total assets	**42,572,630**	30,837,096
Equity		
Share capital	**2,663,160**	2,663,160
Reserves	**6,743,868**	4,500,560
Consolidated equity attributable to equity owners of the Company	**9,407,028**	7,163,720
Non-controlling interests	**4,609,546**	2,006,863
Total equity	**14,016,574**	9,170,583

CONSOLIDATED BALANCE SHEET – Continued

	As at 31 December 2016 *RMB'000*	As at 31 December 2015 *RMB'000*
Liabilities		
Non-current liabilities		
Deferred income	**85,793**	88,269
Long-term borrowings	**1,980,232**	1,210,935
Retirement and other supplemental benefit obligations	**979,448**	1,076,882
Deferred income tax liabilities	**51,748**	629
Trade and other payables	**21,949**	1,431
Total non-current liabilities	**3,119,170**	2,378,146
Current liabilities		
Trade and other payables	**14,740,430**	11,070,114
Dividends payable	**55,441**	55,347
Amounts due to customers for contract work	**643,790**	420,286
Short-term borrowings	**9,684,897**	7,461,720
Current income tax liabilities	**183,965**	143,710
Retirement and other supplemental benefit obligations	**128,363**	137,190
Total current liabilities	**25,436,886**	19,288,367
Total liabilities	**28,556,056**	21,666,513
Total equity and liabilities	**42,572,630**	30,837,096
Net current assets	**9,421,527**	5,435,585
Total assets less current liabilities	**17,135,744**	11,548,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Group is principally engaged in engineering design and consultancy, engineering and construction contracting, equipment manufacturing and trading.

The Company was established as a company with limited liability under the name of China Aluminum International Engineering Co., Ltd. (中鋁國際工程有限責任公司) in the People's Republic of China (the "**PRC**") on 16 December 2003 under the Company Law of the PRC. The address of its registered office is Building C, No. 99 Xingshikou Road, Haidian District, Beijing, the PRC.

The directors of the Company (the "**Directors**") regard Aluminum Corporation of China (中國鋁業公司, "**Chinalco**") as being the ultimate holding company of the Group, which is owned and controlled by the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC. The Company has completed its primary listing (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 July 2012.

2. Accounting policies and basis of preparation

2.1 Basis of preparation

The consolidated financial statements set out in this report have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value, and certain property, plant and equipment, investment properties, land use rights and intangible assets, which are carried at deemed cost.

Pursuant to relevant PRC laws and regulations and as part of the Reorganisation, property, plant and equipment, investment properties, land use rights and other intangible assets of certain subsidiaries were revalued on 31 March 2011 by the independent qualified valuer, Beijing Zhongfeng Assets Evaluation Co., Ltd. (北京中鋒資產評估有限責任公司) and approved by relevant government authorities upon the completion of the Reorganisation on 31 March 2011. The Amendment to IFRS 1 allows first-time adopters to use an event-driven fair value as deemed cost for assets and liabilities, even if the event occurs after the date of transition to IFRSs, but before the first set of IFRSs financial statements are issued. The Group has elected the exemption granted under the Amendment to IFRS 1 in applying such values as the deemed cost in its first IFRSs financial statements.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

2. Accounting policies and basis of preparation – Continued

2.2 Changes in accounting policy and disclosures

(a) Initial application of IFRSs

In the current year, the Group initially applied the following IFRSs:

IAS 1	Amendments – Disclosure Initiative
IAS 16	Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16	Amendments – Bearer Plants
IAS 27	Amendments – Equity Method in Separate Financial Statements
IAS 28	Amendments – Investment Entities: Applying the Consolidation Exception
IAS 38	Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 41	Amendments – Bearer Plants
IFRS 10	Amendments – Investment Entities: Applying the Consolidation Exception
IFRS 11	Amendments – Accounting for Acquisitions of Interests in Joint Operations
IFRS 12	Amendments – Investment Entities: Applying the Consolidation Exception
Annual Improvements (2012–2014)	Amendments to IFRS 5, IFRS 7 and IAS 19

The initial application of these IFRSs does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

IFRS 14 "Regulatory Deferral Accounts" is not applicable to the Group.

2. **Accounting policies and basis of preparation** – Continued

2.2 **Changes in accounting policy and disclosures** – Continued

(b) IFRSs in issue but not yet effective

The following IFRSs in issue at 31 December 2016 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2016:

IFRS 9 (2014)	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[3]
Amendments to IFRS 4	Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts[2]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 40	Transfers of Investment Property[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Annual improvements (2014–2016)	Amendments to IFRS 12[1]
Annual improvements (2014–2016)	Amendments to IFRS 1 and IAS 28[2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's financial performance and financial position.

3. Revenue and segment information

(a) The Group's revenue is set out below:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Engineering design and consultancy	**1,606,718**	1,761,056
Engineering and construction contracting	**14,580,402**	10,740,412
Equipment manufacturing	**658,079**	486,382
Trading	**7,920,421**	6,461,679
	24,765,620	19,449,529

(b) Segment information

The segment results for the year ended 31 December 2016 are as follows:

	Engineering design and consultancy	**Engineering and construction contracting**	**Equipment manufacturing**	**Trading**	**Inter-segment elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**1,683,614**	**14,772,222**	**736,338**	**7,961,134**	**(387,688)**	**24,765,620**
Inter-segment revenue	**(76,896)**	**(191,820)**	**(78,259)**	**(40,713)**	**387,688**	**–**
Revenue	**1,606,718**	**14,580,402**	**658,079**	**7,920,421**	**–**	**24,765,620**
Segment result	**20,466**	**1,186,814**	**(31,930)**	**143,772**	**8,127**	**1,327,249**
Finance income	**79,679**	**384,189**	**28,712**	**237,348**	**(407,852)**	**322,076**
Finance expenses	**(51,889)**	**(759,222)**	**(25,536)**	**(216,299)**	**546,650**	**(506,296)**
Gain on disposal of an associate	**–**	**190,249**	**–**	**–**	**–**	**190,249**
Gain on partial disposal of an associate	**–**	**68,079**	**–**	**–**	**–**	**68,079**
Gain on bargain purchase from business combination	**–**	**269,651**	**–**	**–**	**–**	**269,651**
Share of profits/(losses) of investments accounted for using equity method	**11,150**	**(100,423)**	**(8)**	**–**	**–**	**(89,281)**
Income tax expense						**(279,360)**
Profit for the year						**1,302,367**

3. **Revenue and segment information** – Continued

(*b*) *Segment information* – Continued

The segment results for the year ended 31 December 2015 are as follows:

	Engineering design and consultancy *RMB'000*	Engineering and construction contracting *RMB'000*	Equipment manufacturing *RMB'000*	Trading *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment revenue	1,861,150	10,832,162	590,070	6,590,273	(424,126)	19,449,529
Inter-segment revenue	(100,094)	(91,750)	(103,688)	(128,594)	424,126	–
Revenue	1,761,056	10,740,412	486,382	6,461,679	–	19,449,529
Segment result	125,149	780,637	18,351	170,537	(125,370)	969,304
Finance income	62,688	287,916	9,414	68,336	(104,746)	323,608
Finance expenses	(82,204)	(397,431)	(27,343)	(38,190)	93,731	(451,437)
Share of (losses)/profits of investments accounted for using equity method	(2,281)	23,735	(1,302)	–	–	20,152
Income tax expense						(189,214)
Profit for the year						672,413

4. **Expenses by nature**

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Raw materials and consumables used	**12,195,486**	9,226,521
Purchased equipment	**1,169,036**	1,092,372
Subcontracting charges	**6,801,087**	5,244,942
Employee benefits	**1,568,658**	1,415,169
Depreciation and amortisation		
– property, plant and equipment	**127,167**	123,587
– investment properties	**3,093**	2,845
– land use rights	**22,783**	21,421
– intangible assets	**34,791**	57,157
Business tax and other transaction taxes	**129,420**	253,052
Travelling expenses	**195,743**	186,718
Office expenses	**40,652**	29,161
Freight charges	**50,213**	82,869
Operating lease rentals	**47,687**	46,522
Provision for impairment of assets		
– trade and notes receivables	**188,747**	106,472
– prepayments and other receivables	**55,459**	31,033
– amounts due from customers for contract work	**12,801**	5,132
– inventories	**6,720**	–
Reversal of provision for impairment of assets		
– trade and notes receivables	**(79,548)**	(56,556)
– prepayments and other receivables	**(20,182)**	(2,204)
– inventories	**–**	(2,256)
Research and development costs	**214,419**	106,131
Professional and technical consulting fees	**179,185**	138,098
Auditor's remuneration	**7,180**	9,000
Outsourcing charges	**5,640**	6,951
Bank charges	**35,421**	37,665
Business development and entertainment	**31,007**	26,474
Property management fees	**38,646**	13,620
Others	**358,004**	355,079
Total cost of sales, business tax and surcharges, selling and marketing expenses and administrative expenses	**23,419,315**	18,556,975

5. Finance expenses – net

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest income on deposits with banks	**81,812**	161,175
Interest income on receivables with interests	**220,196**	152,996
Interest income on deposits with related parties	**13,341**	9,437
Interest income on loans to third parties	**6,727**	–
Finance income	**322,076**	323,608
Interest expense of retirement and other supplemental benefit obligations	**34,366**	62,336
Interest expense on bank and other borrowings	**481,997**	392,326
Less: capitalised interest expense	**(10,067)**	(3,225)
Finance expense	**506,296**	451,437
Net finance expenses recognised in the consolidated statement of comprehensive income	**184,220**	127,829

6. Income tax expense

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax for the year	**249,086**	205,658
Overseas income tax for the year	**153**	–
	249,239	205,658
Deferred tax		
Obligations and reversal of temporary differences	**30,121**	(16,444)
Income tax expense	**279,360**	189,214

7. Earnings per share

(a) Basic

The basic earnings per share for each of the years ended 31 December 2016 and 2015 is calculated based on the profit attributable to the equity holders of the Company and on the weighted average number of ordinary shares issued.

	Year ended 31 December	
	2016	2015
Profit attributable to equity owners of the Company *(RMB'000)*	**1,144,403**	540,979
Weighted average number of ordinary shares in issue	**2,663,160,000**	2,663,160,000
Basic earnings per share *(RMB)*	**0.43**	0.20

(b) Diluted

As the Company had no dilutive ordinary shares for each of the years ended 31 December 2016 and 2015, dilutive earnings per share for the years ended 31 December 2016 and 2015 are the same as basic earnings per share.

8. Dividends

Dividends represented dividends proposed by the Company during each of the years ended 31 December 2016 and 2015.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Final, proposed, of RMB0.087 per ordinary share (2015: RMB0.06)	**231,695**	159,790

2015 final dividend of RMB0.06 per ordinary share, totaling approximately RMB159,790,000 was approved by the Company's shareholders in the Annual General Meeting on 25 May 2016.

Pursuant to the board meeting on 20 March 2017, the Directors recommended the payment of the final dividend of RMB0.087 per ordinary share, totaling amounting to approximately RMB231.70 million. Such a dividend is subject to approval by the shareholders at the Annual General Meeting to be held in 2017. This recommended dividend has not been reflected as a dividend payable in the consolidated financial statements of 2016.

9. Trade and notes receivables

	At 31 December 2016 RMB'000	2015 RMB'000
Trade receivables	**15,957,288**	12,659,265
Less: Provision for impairment	**(615,921)**	(516,569)
Trade receivables – net	**15,341,367**	12,142,696
Notes receivable	**715,473**	297,369
Trade and notes receivables – net	**16,056,840**	12,440,065
Less: Non-current portion	**(1,637,814)**	(1,752,312)
Current trade and notes receivables	**14,419,026**	10,687,753

Ageing analysis of trade receivables is as follows:

	At 31 December 2016 RMB'000	2015 RMB'000
Within 1 year	**10,130,958**	8,882,391
Between 1 and 2 years	**3,524,056**	2,178,334
Between 2 and 3 years	**1,096,400**	763,436
Between 3 and 4 years	**557,883**	412,950
Between 4 and 5 years	**349,505**	159,466
Over 5 years	**298,486**	262,688
Trade receivables – gross	**15,957,288**	12,659,265
Less: Provision for impairment	**(615,921)**	(516,569)
Trade receivables – net	**15,341,367**	12,142,696

The contracts governing provision of the Group's service would not include specific credit terms. For the settlement of trade receivables from provision of services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. Trade receivables from sales of goods are with credit terms of 30 to 90 days in accordance with sales contracts.

The Group requires collaterals from the proprietors of the Build-Transfer ("**BT**") contracts to minimise the credit risk involved in these contracts where the Group would normally undertake the financing of the projects.

The trade receivables, that were past due but not impaired relate to a number of independent customers with no recent history of default.

10. Reserves

	Attributable to equity owners of the Company								
	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Remeasurements of post-employment benefit obligations *RMB'000*	Currency translation differences *RMB'000*	Special reserve *RMB'000*	Other equity instruments *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2016	768,132	130,626	–	42,775	77,088	23,494	190,129	3,268,316	4,500,560
Profit for the year	–	–	–	–	–	–	–	1,144,403	1,144,403
Other comprehensive income:									
Fair value loss on available-for-sale financial assets – gross	–	–	(1,282)	–	–	–	–	–	(1,282)
Fair value loss on available-for-sale financial assets – tax	–	–	192	–	–	–	–	–	192
Reclassification upon partial disposal of an associate	(15,593)	–	–	–	–	–	–	–	(15,593)
Reclassification upon disposal of an associate	(41,321)	–	–	–	–	–	–	–	(41,321)
Remeasurements of post-employment benefit obligations – gross	–	–	–	42,021	–	–	–	–	42,021
Remeasurements of post-employment benefit obligations – tax	–	–	–	(9,037)	–	–	–	–	(9,037)
Currency translation differences	–	–	–	–	81,413	–	–	–	81,413
Total comprehensive income	(56,914)	–	(1,090)	32,984	81,413	–	–	1,144,403	1,200,796
Dividends to equity owners	–	–	–	–	–	–	–	(159,790)	(159,790)
Net proceeds from offering of renewable corporate bonds	–	–	–	–	–	–	1,202,302	–	1,202,302
Appropriation to perpetual medium-term notes	–	–	–	–	–	–	10,300	(10,300)	–
Appropriation of special reserve	–	–	–	–	–	(12,795)	–	12,795	–
Appropriation to statutory surplus reserve	–	26,740	–	–	–	–	–	(26,740)	–
At 31 December 2016	711,218	157,366	(1,090)	75,759	158,501	10,699	1,402,731	4,228,684	6,743,868

11. Trade and other payables

	At 31 December 2016 RMB'000	2015 RMB'000
Trade and notes payables		
Trade payables	**10,584,518**	7,624,363
Notes payable	**767,277**	476,465
	11,351,795	8,100,828
Other payables		
Advances from customers	**1,433,030**	1,692,975
Staff welfare payable	**137,994**	101,446
Tax payable	**325,287**	269,050
Deposit payable	**501,376**	438,763
Amounts to be paid by the Group on behalf of other parties	**621,015**	251,751
Amounts due to related parties	**96,168**	79,092
Others	**295,714**	137,640
	3,410,584	2,970,717
Total trade and other payables	**14,762,379**	11,071,545
Less: Non-current portion	**(21,949)**	(1,431)
Current portion	**14,740,430**	11,070,114

Ageing analysis of trade payables is as follows:

	At 31 December 2016 RMB'000	2015 RMB'000
Within 1 year	**7,874,901**	5,131,263
Between 1 and 2 years	**1,464,939**	1,331,979
Between 2 and 3 years	**477,501**	708,740
Over 3 years	**767,177**	452,381
	10,584,518	7,624,363

12. Commitments

(a) *Capital commitments*

Capital commitments for the purchases of property, plant and equipment outstanding, and committed investment at each year-end not provided for in the consolidated financial statements were as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**21,768**	3,280
– Investment (i)	**867,125**	811,700
Authorised but not contracted for		
– Property, plant and equipment	**77,472**	15,000
	966,365	829,980

(i) As at 9 October 2014, Chalieco Hong Kong Co., Ltd (中鋁國際香港有限公司) (hereinafter "**Chalieco HK**"), as a limited partner, and Shanghai Ample Harvest Equity Investments Management Company Limited (上海豐實股權投資管理有限公司), as a general partner, signed a partnership agreement to set up a limited partnership, named Shanghai Chalieco Fengyuan Equity Investment Fund Partnership (Limited Partner) (上海中鋁豐源股權投資基金合夥企業(有限合夥)). According to the contract, Chalieco HK is required to subscribe USD200 million, representing 99.95% of the limited partnership subscription, which has been paid amounting to USD75 million as of 31 December 2016 and 2015.

(b) *Operating lease commitments*

The Group leases various offices, warehouses and residential properties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**1,287**	5,459
Between 1 year to 5 years	**2,721**	9,866
Total	**4,008**	15,325

13. Investments accounted for using the equity method

(a) Investment in associates

During the year, the Group gradually reduced its shareholding in Zhuzhou Tianqiao Crane Co. Ltd. (hereinafter "**Zhuzhou Tianqiao Crane**") from 5.24% to 3.80% while maintaining significant influence over the investee until 19 October 2016 on which the director of Zhuzhou Tianqiao Crane appointed by the Group tendered his resignation. Following his resignation on 19 October 2016, the Directors considered that the Group has lost its power to significant influence on the investee and thereafter ceased equity accounting for investment in Zhuzhou Tianqiao Crane and reclassified the remaining 3.80% shareholding in Zhuzhou Tianqiao Crane with fair value of approximately RMB216,109,000 to available-for-sale financial assets. During the year, gain on partial disposal of an associate amounted to approximately RMB68,079,000 and gain on disposal of an associate upon reclassification amounted to approximately RMB190,249,000 were recognised to profit or loss.

(b) Investment in joint ventures

Shanghai Fengtong Equity Investment Fund Partnership (Limited Partner) (上海豐通股權投資基金合夥企業(有限合夥)) (hereinafter "**Shanghai Fengtong Fund**") was a limited partnership established by Shanghai Ample Harvest Equity Investments Management Company Limited (上海豐實股權投資管理有限公司) (hereinafter "**Harvest Equity**") as a general partner in 2013. During the year of 2014, the Company signed a series of supplemental contracts with other relevant parties and obtained jointly control because that the decision about the main activities of the partnership required the unanimous consent of the Company and the other parties.

Shanghai Fengtong Fund invested its fund through bond offering in real estate project, which are recommended either by the Company or by Harvest Equity.

The parent company of Harvest Equity, Harvest Capital Management Company Limited (嘉實資本管理有限公司) (hereinafter "**Harvest Capital**") lent RMB2,000 million to Shanghai Fengtong Fund and will withdraw within 3 years. Up to 31 December 2016, Shanghai Fengtong Fund has made repayments aggregated to RMB950,000,000, Subsequent to the balance sheet date, Shanghai Fengtong Fund has made further repayments of RMB610,000,000. The due date of remaining outstanding principal of RMB440,000,000 has been extended to 30 April 2017. The Company and another third party contributed RMB40 million and RMB50 million, respectively, to Shanghai Fengtong fund as limited partner.

During the three years' investment periods of Harvest Capital, the distribution order is as follows: Shanghai Fengtong Fund should firstly pay 8.3% interest to Harvest Capital before distributing 8.3% expected earnings to the limited partner; then after the withdrawing of Harvest Capital in the third year, the remaining distributable profit after the above distribution will be distributed between Harvest Equity and the Company, in the ratio of 50% and 50%, respectively, for debt investment and 30% and 70%, respectively, for investment in equity of other entities; if Shanghai Fengtong Fund is not able to payback the amount to be withdrawn by Harvest Capital as agreed above, the Company has the responsibility to pay the outstanding balance immediately, then the Company has the right to seek financial support from Harvest Equity.

The Group continued the recognition of further losses of this joint venture as the Directors considered the financial guarantee given by the Company constituted a binding agreement. As at the balance sheet date, the negative interest in this joint venture of RMB20 million is included in other payables.

14. Financial guarantee

(a) The Company is required to take the responsibility of the paying the outstanding balance of the principal and the relevant expected earnings once Shanghai Fengtong Fund fails to make the payment in accordance with the terms of the relevant contracts.

The Directors reviewed all of the relevant contracts and information, and assessed that the fair value of this obligation was not material, as the repayment made by Shanghai Fengtong Fund was on schedule and the risk of default is remote. Therefore, no provision was made for this obligation.

14. Financial guarantee – Continued

(b) As at 31 December 2016, the Group's subsidiary, No. 9 Metallurgical Construction Co., Ltd (九冶建設有限公司, "**No. 9 Metallurgical Construction**") issued the joint liability guarantees for in respect of the following loans:

– a bank loan of RMB74,000,000 borrowed by Mianxian Urban Development Investments Limited (勉縣城市發展投資有限公司), which is due for repayment on 6 January 2023; and

– a loan with a principal of RMB100,000,000 borrowed by Xianyang Emerging Textile Industry Park Electricity Supply Company Limited (咸陽市新興紡織工業園供電服務有限公司) from China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), which is due for repayment on 29 July 2018.

As at 31 December 2016, the Group's subsidiary, Hanzhong No. 9 Metallurgical Construction Co., Ltd (漢中九冶建設有限公司) issued a joint liability guarantee in respect of a bank loan of RMB100,000,000 borrowed by Mianxian Urban and Rural Infrastructure Construction Co., Ltd (勉縣城鄉基礎設施建設有限公司), which is due for repayment on 19 October 2027.

The Directors reviewed all of the relevant contracts and information, and assessed that the fair values of the above financial guarantees were not material, as the repayments made by the above borrowers were on schedule and the risk of default is remote. As such, no provision was made for such financial guarantees.

15. Business combination

On 1 December 2015, the Group entered into an Equity Transfer Agreement with Shanxi Jiuan Properties Co., Ltd. (陝西久安房地產有限公司, "**Shaanxi Jiuan**") to acquire 62.5% of equity interest in No. 9 Metallurgical Construction. The acquisition was completed on 30 June 2016.

The purchase consideration for the acquisition was in the form of cash of RMB49,980,000, of which RMB29,980,000 was paid last year, and the remaining amount was fully settled during the year.

The fair values of the identifiable assets and liabilities of No. 9 Metallurgical Construction as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	299,156
Land use rights	103,475
Investment properties	15,368
Intangible assets	591
Investment accounted for using the equity method	11,996
Available-for-sale financial assets	5,000
Cash and cash equivalents	376,386
Deferred income tax assets	63,893
Other non-current assets	71
Inventories	86,709
Trade and note receivables	1,352,435
Prepayments and other receivables	881,992
Amounts due from customers from contract work	2,114,799
Current income tax prepayments	228
Restricted cash	556,097
Trade and other payables	(3,833,548)
Amounts due to customers from contract work	(157,121)
Borrowings	(1,230,785)
Current income tax liabilities	(80,437)
Deferred income tax liabilities	(33,118)
Retirement and other supplemental benefit obligations	(21,528)
Deferred income	(250)
Total identifiable net assets at fair value	511,409
Non-controlling interests	(191,778)
	319,631
Gain on bargain purchase from business combination	(269,651)
Satisfied by cash	49,980

15. Business combination – Continued

The above fair values were estimated by the Directors based on the valuation report (Zhonghe Ping Bao Zi (2016) (No. BJV 4048)) issued by an independent asset valuer, ZhongHe Appraisal Co., Ltd..

Included above are certain property, plant and equipment of approximately RMB39,037,000 for which No. 9 Metallurgical Construction has not yet obtained the relevant ownership certificates. The Directors confirmed that the Group will make application for the ownership certificates for such assets.

The gain on bargain purchase is mainly attributable to the immediate exit opportunity offered to the Shaanxi Jiuan and the ability of the Group in negotiating the terms of transactions with the Shaanxi Jiuan.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(49,980)
Consideration paid in last financial year	29,980
Cash and cash equivalents acquired	376,386
Net inflow of cash and cash equivalents included in cash flows from investing activities	356,386

Transaction cost of the acquisition is immaterial.

Since the acquisition, No. 9 Metallurgical Construction contributed RMB3,001,817,000 to the Group's revenue and RMB93,427,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB26,567,724,000 and RMB1,327,180,000, respectively.

I. BUSINESS OVERVIEW IN 2016

INDUSTRY OVERVIEW IN 2016

In 2016, though domestic and overseas conditions were complicated, China's economy recorded a steady growth, with GDP increased by 6.7% as compared to last year. By implementing various macro policies based on the core principle of supply side structural reform, transformation of economic development was facilitated while growth momentum strengthened continuously.

The non-ferrous metals industry, as a periodical industry, showed an indication of rebound from the bottom as at the end of 2016. The production of the ten types of nonferrous metals for the whole year was 52 million tons. It still managed to record an increase compared to that of 2015. As market conditions improved, although production of some grades went down, the increasing of in demand following by a significant rise on price. Domestic consumption on copper and aluminum increased by 5%~8%; the scaled-up enterprises in the nonferrous metals industry recorded a year-on-year profit growth of over 30%, whereas aluminum refining industry (including alumina, primary aluminum smelting and recycled aluminum etc.) which had been loss-making over the past few years recorded a turnover, posing a crucial effect on the improvement on the efficiency of the industry.

In 2016, the gross output of the construction industry in China amounted to RMB19.3 trillion, up 7.1% as compared to the last year. Compared with 2015, recovery is on the track. The growth of fixed assets investment in China for 2016 eased. The completed fixed assets investment in China (excluding farmers) was RMB59.6 trillion, representing a year-on-year increase of 8.1%, slowed 1.9 percentage points as compared to last year. Investment eased in 2016, but its structure has been optimizing. Among which, the investment in infrastructure was sound, amounting to RMB11.8 trillion for the whole year, representing a growth of 17.4% as compared to last year; investment in the infrastructure accounted for 19.9% of the total investment, representing an increase of 1.5 percentage points as compared to last year. The growth pace of the construction industry is stabilizing and adjustment and modification are likely to be seen in the future.

BUSINESS OPERATION OVERVIEW FOR 2016

(I) Achieving New Growth in Marketing

1. **Breakthrough in the non-ferrous industry**. The Group undertook several new projects in the non-ferrous industry, including Southeast Copper, which further expanded our influence in the non-ferrous industry as well as establishing a new model for guiding the technological advancement of the non-ferrous industrial.

2. **Continuous expansion in the civil market**. We focused on the construction of cluster of cities, comprehensive experimental zone, innovation zone and industrial park, and the development in the civil market. Also, we participated in the business of municipal infrastructure, rebuilding and reformation, sponge city and traffic construction, and successively undertook the civil construction projects in an amount of over RMB1 billion, including the university town project in Guian New Area, project in Kaili City, Guizhou Province and rebuilding project of shantytowns in Weifang City.

3. **Efforts in moving into the overseas market**. Closely following the country's "One Belt, One Road", we put more efforts into enlarging the cooperation on production capacities in the international market by focusing on target clients, taking the initiative and proactively developing the emerging national markets. We signed a supply, field service and design contract with Vedanta, an India company, in respect of the project of 1.25 million tons of primary aluminum smelter. Besides, we successfully secured orders of projects in Russia, Indonesia, Ecuador and Guinea.

(II) Attaining a New Level in Project Management

1. **Obtaining results in benchmark guiding**. The site management levels in projects of Qujiang Yuyuan (曲江禦園) in Xi'an City, Wuxiang New District in Nanning City and Dongli District in Tianjin City were further enhanced and highly recognized by owners and indusrty competent departments. The Group companies learned from one another the advanced ideas and management measures of project management through holding benchmarking projects' on-site observation and exchange sessions, thereby promoting the improvement in the project management level.

2. **Continuous innovation in management measures**. An e-commerce purchase platform developed by the Group has achieved the full coverage of materials, construction subcontracting and services. We achieved an annual purchase amount amounting to RMB4 billion on the platform. The application of information technology in project management has been widely promoted and a major progress was made in both BIM technology and project management system. Key projects are making good progress.

(III) New Progress in Transformation and Upgrading

1. **Speeding up PPP projects**. The Group targets on transformation and upgrading and focuses on infrastructure investment projects. It further its connection with the government and financial institutions, and successively won the bids of PPP projects such as urban road and underground pipeline of Tongchuan City, municipal roads and pipeline of Loudi City. The contracts of PPP projects secured amounting to RMB2.24 billion during the year.

2. **A good start in the emerging industry**. Changsha Engineering & Research Institute Limited for Nonferrous Metallurgy ("**Changsha Institute**"), a wholly-owned subsidiary of the Group, further expanded and strengthened its business of natural gas distributed energy, combined projects of mines and tailing ponds by making full use of the characteristics of the non-ferrous industry, as well as undertaking related photovoltaic business. China Nonferrous Metal Suvey and Design Institute of Changsha Co., Ltd. ("**Changkan Institute**"), a wholly-owned subsidiary of the Group, expanded its relevant business through the use of safety and environmental online monitoring technology, leveraging on its technology advantage.

3. **Development of aluminum for industrial use in full swing**. In 2016, the Group focused on the field of research regarding the expansion of aluminum applications, aiming at a breakthrough in the aluminum application on the field of engineering construction. We also actively commenced the work on transportation, 3C electronic goods, infrastructure, etc, and one by one developed a series of aluminum products, such as aluminum communication tower, aluminum template, aluminum overpass, aluminum flood wall, aluminum shell for cell-phone, aluminum dwelling and aluminum climber. At present, the Group's business of aluminum for industrial use is fully put to use, with aluminum bridges put under construction in Hohhot City and aluminum dwelling launched to the construction market.

(IV) Broadening New Channels in Capital Operation

1. **Breakthrough in bond financing**. In 2016, the Group completed the issue of the first phase of each of small public offering bonds and renewable corporate bonds respectively, raising a total of RMB2.108 billion, and also completed the issue of the first phase of senior perpetual capital securities, raising US$350 million. The issue of the above bonds has improved the Group's liability structure mainly comprised of short-term debts, enhanced the compatibility of the raised funds and the progress of construction projects, and reduced the finance cost.

2. **Continuous widening of financing channels**. In 2016, there was a new breakthrough in the Group's direct financing and indirect financing channels. It established good cooperation relationship with dozens of domestic and overseas banks. As of the end of 2016, a total of RMB27.3 billion comprehensive bank credits were obtained. The financing channels were effective and the financing products were full of variety.

(V) New Enhancement in Development Capability

1. **Repeating favorable outcome in qualifications**. In 2016, Sixth Metallurgical Construction Company of China Nonferrous Metals Industry Company ("**No. 6 Metallurgical Company**"), a wholly-owned subsidiary of the Group, also obtained the premium qualification for general contracting of housing and buildings construction.

2. **Strengthening supervision and enforcing immediate changes**. The Group carried out various supervision, such as specific supervision of the engineering field, supervision of the progress of performance assessment indicators, specific supervision of "Two Compensation (兩金)" settlement, specific supervision of safety management and specific supervision of promotion and application of e-commerce platform, on some of its sub-subsidiaries and project departments. Rectification must be done within a given period in case of problems.

3. **Pursuing safety production relentlessly**. The Group continuously increased its efforts in the inspection and governance of the safety hazards in the construction site and comprehensively promoted the standardization work on the construction site safety management. No major safety incidents occurred throughout the year.

4. **Enhancing basic management capability**. The Group has commenced an in-depth standardization work. Through implementing standardized construction, the regularization, homogenization and informatization of business management would be gradually achieved.

CONTRACTS

The aggregated value of contracts newly signed in 2016 amounted to RMB55.5 billion, representing an increase of 51.22% as compared with the corresponding period over last year. The contracts backlog of the Group as at 31 December 2016 amounted to RMB79.213 billion, representing an increase of 22% over the end of 2015.

CREDIT RATINGS

Standard & Poor's continued to assign the Company an issuer rating of "BB+" and a stand-alone credit profile of "B+" with stable outlook.

CONDITIONS OF SCIENTIFIC RESEARCH

Technological Innovation Platform

The establishment of "Guiyang Aluminum and Magnesium Design Institute Co., Ltd." and "China Nonferrous Metals Processing Technology Co., Ltd." proposed to be established by a subsidiary of the Group has been approved by National Development and Reform Commission as the national enterprise technology center of 2016 (the 23rd group). The headquarters and some other subsidiaries of the Company were awarded with the national high-and-new technology enterprises. As at 31 December 2016, the Group had a total of three engineering technical research centers and enterprise technology centers reaching the national level, three postdoctoral science research workstations reaching the national level, 13 technology centers reaching the provincial level, one postdoctoral innovation and practice base reaching the provincial level and one engineering laboratory reaching the provincial level. As at 31 December 2016, the Group had seven national survey and design masters in engineering field and 42 provincial survey and design masters in nonferrous metals industry.

Application for Patents and Authorisation

In 2016, the Group had 253 domestic patents applications, 265 domestic authorized patents and 10 international authorized patents. Applications for 17 patents of provincial industrial methods were granted. As of 31 December 2016, the Group has totally applied for 6,340 domestic patents and 4,663 were granted, while 134 international patents were applied and 122 were granted. A total of seven patents of national industrial methods were granted.

Awards Attained

During the year, the Group accomplished ten scientific and technological achievement evaluations carried out by the industry association such as "Research and Application of Multifunctional Energy-efficient Aluminum Electrolysis in Power Supply Rectification Technology (多功能高效節能鋁電解供電整流技術的研究與應用)". 17 awards were granted the provincial scientific and technological prizes by the industry association, among which, five First Prizes and nine Second Prizes were awarded, which were the highest record in the history. Eight First Prizes, eight Second Prizes, two Third Prizes of the ministry-level excellent engineering consultancy results awards (部級優秀工程諮詢成果獎) were awarded by the industry association. Three First Prizes, four Second Prizes, three Third Prizes of ministry-level engineering survey awards were awarded by the industry association. Four First Prizes, five Second Prizes, two Third Prizes of ministry-level excellent engineering design awards (部級優秀設計獎) were awarded by the industry association.

Progress of Major Scientific Research Projects and Results

A batch of material research and development projects were progressing well and the technological results were remarkable. "Development of Electrolytic Cell Technology with Ultra-low Energy Consumption (超低能耗電解槽技術開發)" project led to the significant decrease in the level of electricity consumption of smelters of large capacity. Demand for existing inventory market was huge. "Research on Technology of Alumina Production by Low Temperature Bayer Process (低溫拜耳法生產氧化鋁工藝技術研究)" project laid a foundation for further energy savings on alumina industry. "Research on Equipment and Technology of Zinc-leaching Residues Disposal via Oxygen Side-blown Furnace (氧氣側吹爐處理鋅浸出渣裝備與工藝研究)" project was able to economically refine precious metals such as gold and silver from the large amount of zinc leaching residue inventory in China with broad market. "Research on Integration of Beneficiation Technology and Engineering Transformation of Cu-Pb-Zn Polymetallic Ore in Tibet Jima (西藏甲瑪銅鉛鋅複雜多金屬礦選礦技術集成及工程轉化研究)" project was exemplary and had high marketable value to the improvement of flotation separation method which deals with our country's complicates Polymetallic Ore mines, and to the promotion of the efficient development and use of mines and mineral assets in high attitude and extreme cold regions. "Research on Equipment and Technology of Three-layer Multi-metal Cold Sandwich Rolling Process (三層多品種金屬冷複合軋製裝備與工藝研究)" has enhanced the research and development capacity and technological capacity of new equipment produced in China, and has been successfully applied on domestic aluminum processing industry, creating new point for profit growth.

INVESTMENT IN R&D OF TECHNOLOGY

For the year 2016, the Company continued its strong investment in research and development of science technology. The expenditure on research and development of science and technology amounted to RMB636.7 million, representing 2.57% of the total revenue of the year.

2. OPERATING RESULTS ANALYSIS AND DISCUSSION

Overview

Revenue in 2016 increased significantly compared with 2015. Revenue amounted to RMB24,765.6 million, representing an increase of 27.3% by RMB5,316.1 million from RMB19,449.5 million in 2015. Profit for the year amounted to RMB1,302.4 million, representing an increase of 93.7% or RMB630.0 million from RMB672.4 million in 2015. Profit attributable to equity owners of the Company increased by RMB603.4 million from RMB541.0 million in 2015 to RMB1,144.4 million, representing an increase of 111.5%. Earnings per share were RMB0.43, representing an increase of 115.0% from RMB0.20 in 2015.

Operating revenue

Our revenue was mainly generated from engineering design and consultancy, engineering and construction contracting, equipment manufacturing, as well as trading.

Revenue in 2016 was RMB24,765.6 million, representing an increase of 27.3% or RMB5,316.1 million from RMB19,449.5 million in 2015. Excluding the acquisition of No. 9 Metallurgical Construction which contributed revenue amounting to RMB3,001.8 million, the comparable revenue for 2016 amounted to RMB21,763.8 million, representing an increase of 11.9% over 2015. In 2016, the revenue from construction experienced a significant growth and the overall revenue improved as compared to that of 2015 due to the orders of the Company on hand entered into its construction peak and the increase in new projects as compared to that of last year.

	2016		2015		
	(*RMB'000*)	**(% of total income before inter-segment elimination)**	(*RMB'000*)	(% of total income before inter-segment elimination)	% of increase over last year
Engineering design and consultancy	**1,683,614**	6.7	**1,861,150**	9.4	(9.5)
Engineering and construction contracting	**14,772,222**	58.7	**10,832,162**	54.5	36.4
Equipment manufacturing	**736,338**	2.9	**590,070**	3	24.8
Trading	**7,961,134**	31.7	**6,590,273**	33.1	20.8
Subtotal	**25,153,308**	100	**19,873,655**	100	26.6
Inter-segment elimination	**(387,688)**		**(424,126)**		
Total revenue	**24,765,620**		**19,449,529**		27.3

Cost of sales

In 2016, cost of sales of the Group amounted to RMB22,033.2 million, representing an increase of 28.0% as compared to that of RMB17,210.0 million for 2015. Excluding the effect of No. 9 Metallurgical Construction's cost of sales of RMB2,760.5 million from July to December, the comparable cost of sales of the Group was RMB19,272.7 million, representing an increase of 12.0% over 2015, mainly because the business scales of all other businesses, except for the engineering design and consultancy business, recorded stable growth along with the rising cost of sales.

Selling and marketing expenses and business tax and surcharges

In 2016, the selling and marketing expenses and business tax and surcharges of the Group amounted to RMB230.9 million, representing a decrease of 22.5% as compared to that of RMB298.1 million for 2015. Excluding the effect of No. 9 Metallurgical Construction's selling and marketing expenses and business tax and surcharges of RMB5.7 million from July to December, the comparable selling and marketing expenses and business tax and surcharges of the Group was RMB225.2 million, representing a decrease of 24.5% over 2015, primarily due to the tax reform of "replacing business tax with value-added tax (營改增)" fully implemented across Mainland China in 2016. As such, the value-added tax payable is deducted from revenue rather than presented as an expense resulting in a significant decrease of business tax.

Administrative expenses

In 2016, the administrative expenses of the Group amounted to RMB1,155.2 million, representing an increase of 10.1% as compared to that of RMB1,048.9 million in 2015. Excluding the effect of No. 9 Metallurgical Construction's administrative expenses of RMB100.0 million from July to December, the comparable administrative expenses of the Group amounted to RMB1,055.2 million, roughly the same as in 2015.

Other losses – net

In 2016, the other losses – net of the Group amounted to RMB128.4 million, representing an increase of 123.7% from RMB57.4 million in 2015, mainly due to exchange loss resulting from depreciation of RMB. In 2016, the net foreign exchange loss of the Group amounted to RMB95.4 million.

Finance expense – net

The Group recorded net finance expense of RMB184.2 million in 2016, representing an increase of 44.1% from RMB127.8 million in 2015. Excluding the effect of No. 9 Metallurgical Construction's net finance expense of RMB15.0 million from July to December, the comparable net finance expense of the Group amounted to RMB169.2 million, representing an increase of 32.4% over 2015, primarily due to the increase in cost resulting from the enlarged scale of the interest bearing liability during the year.

Operating profit

The Group recorded an operating profit of RMB1,327.2 million in 2016, representing an increase of 36.9% from RMB969.3 million in 2015. Excluding No. 9 Metallurgical Construction's operating profit of RMB103.2 million from July to December, the comparable operating profit of the Group amounted to RMB1,224.0 million in 2016, representing an increase of 26.3% over the corresponding period of last year, primarily due to the growth in scale of revenue.

Profit before tax

In 2016, profit before tax of the Group amounted to RMB1,581.7 million, representing an increase of 83.6% as compared to that of RMB861.6 million in 2015, which was mainly due to the growth in scale of revenue, gain on buying allowance from the acquisition of No. 9 Metallurgical Construction of RMB269.7 million and the gain of RMB258.3 million on the disposal and reclassification of an associate.

Income tax

The Group recorded income tax expense of RMB279.4 million in 2016, representing an increase of 47.6% from RMB189.2 million in 2015. The effective tax rate decreased to 17.7% in 2016 from 22.0% in 2015, primarily owing to the non-taxable gain on buying allowance from business combination of RMB269.7 million. Excluding this effect, the profit before taxation of the Group was RMB1,312.0 million and the effective tax rate decreased slightly to 21.3% in 2016 from 22.0% in 2015. The slight decrease is owing to the successful application of "High-tech Business" by the Company and Sixth Metallurgical Company, of which the income tax rate dropped from 25.0% to 15.0%.

Profit for the year

In 2016, the Group's profit for the year was RMB1,302.4 million, representing an increase of 93.7% from profit for the year of RMB672.4 million in 2015. Profit attributable to equity owners of the Company was RMB1,144.4 million, representing an increase of 111.5% from RMB541.0 million in 2015.

Dividends

In 2016, the Company proposed the payment of dividend of RMB0.87 for every 10 shares (tax inclusive) in cash, in an aggregated amount of RMB231.7 million, on the basis of RMB2,663.16 million ordinary shares in issue as at 31 December 2016, and a dividend of RMB0.6 (tax inclusive) for every 10 shares in cash was paid in 2015.

Segment Operating Results

The following table sets forth the gross profit and segment results of each of our business segments for the years indicated:

	2016		2015		**Growth**	
	Gross Profit *(RMB'000)*	**Segment results** *(RMB'000)*	Gross Profit *(RMB'000)*	Segment results *(RMB'000)*	**Gross Profit** *(RMB'000)*	**Segment results** *(RMB'000)*
Engineering design and consultancy	**422,683**	**20,466**	483,588	125,149	**(60,905)**	**(104,683)**
Engineering and construction contracting	**1,997,839**	**1,186,814**	1,593,895	780,637	**403,944**	**406,177**
Equipment manufacturing	**89,098**	**(31,930)**	48,221	18,351	**40,877**	**(50,281)**
Trading	**227,086**	**143,772**	189,377	170,537	**37,709**	**(26,765)**
Subtotal	**2,736,706**	**1,319,122**	2,315,081	1,094,674	**421,625**	**224,448**
Inter-segment elimination	**(4,258)**	**8,127**	(75,559)	(125,370)	**71,301**	**133,497**
Total	**2,732,448**	**1,327,249**	2,239,522	969,304	**492,926**	**357,945**

Engineering Design and Consultancy

The principal segment results data for our engineering design and consultancy business is as follows:

	2016		2015		
	(RMB'000)	***% of segment revenue***	*(RMB'000)*	*% of segment revenue*	*% of change*
Segment revenue	**1,683,614**	**100.0**	1,861,150	100.0	(9.5)
Cost of sales	**(1,260,931)**	**(74.9)**	(1,377,562)	(74.0)	(8.5)
Gross profit	**422,683**	**25.1**	483,588	26.0	(12.6)
Selling and marketing expenses, and business tax and surcharges	**(61,610)**	**(3.7)**	(57,181)	(3.1)	7.7
Administrative expenses	**(344,542)**	**(20.5)**	(407,006)	(21.9)	(15.3)
Other income and other gains – net	**3,935**	**0.2**	105,748	5.7	(96.3)
Segment result	**20,466**	**1.2**	125,149	6.7	(83.6)

Segment revenue. Revenue from the engineering design and consultancy business before inter-segment elimination in 2016 amounted to RMB1,683.6 million, representing a decrease of 9.5% compared with RMB1,861.2 million in 2015, primarily due to the lack of motivation to invest in the non-ferrous industry during the downturn of the non-ferrous industry, and the slight decrease in revenue owing to relatively smaller proportion of design business in respect of the Company's orders on hand.

Cost of sales. Cost of sales of the engineering design and consultancy business in 2016 amounted to RMB1,260.9 million, representing a decrease of 8.5% compared with RMB1,377.6 million in 2015, primarily due to decrease in cost expenses corresponding to the decrease of income.

Gross profit. Gross profit of the engineering design and consultancy business in 2016 amounted to RMB422.7 million, representing a decrease of 12.6% compared with RMB483.6 million in 2015, primarily due to a decrease in revenue. Gross profit margin slightly decreased from 26.0% in 2015 to 25.1%.

Selling and marketing expenses, and business tax and surcharges. In 2016, the selling and marketing expenses, and business tax and surcharges of engineering design and consultancy business were RMB61.6 million, representing an increase of 7.7% from RMB57.2 million in 2015, primarily due to the increase in labour costs.

Administrative expenses. The administrative expenses of engineering design and consultancy business in 2016 amounted to RMB344.5 million, representing a decrease of 15.3% from RMB407.0 million in 2015, primarily due to the reduction in controllable costs such as travelling expense and entertainment fee.

Other income and other gains – net. In 2016, the other income and other gains – net of the engineering design and consultancy business was RMB3.9 million, representing a decrease of 96.3% as compared to RMB105.7 million in 2015. The main reason was that Changsha Institute, a subsidiary of the Company, made capital contribution in a jointly-controlled entity by providing patented technology. Other gain, which represented the excess of the fair value over the carrying amount of the patented technology was recognised in 2015. No gain of such nature was received in 2016.

Segment result. Due to the above mentioned causes, segment result for the year from engineering design and consultancy business were RMB20.5 million, representing a decrease of 83.6% from RMB125.1 million in 2015, which contributed 1.6% to the operating results of the Group.

Engineering and Construction Contracting

The principal segment results data for our engineering and construction contracting business is as follows:

	2016		2015		
	(RMB'000)	***% of segment revenue***	*(RMB'000)*	*% of segment revenue*	*% of change*
Segment revenue	**14,772,222**	**100.0**	10,832,162	100.0	36.4
Cost of sales	**(12,774,383)**	**(86.5)**	(9,238,267)	(85.3)	38.3
Gross profit	**1,997,839**	**13.5**	1,593,895	14.7	25.3
Selling and marketing expenses, and business tax and surcharges	**(87,417)**	**(0.6)**	(205,826)	(1.9)	(57.5)
Administrative expenses	**(699,812)**	**(4.7)**	(571,506)	(5.3)	22.5
Other expenses and other losses – net	**(23,796)**	**(0.2)**	(35,926)	(0.3)	(33.8)
Segment result	**1,186,814**	**8.0**	780,637	7.2	52.0

Segment revenue. In 2016, revenue of engineering and construction contracting business before inter-segment elimination was RMB14,772.2 million, representing an increase of 36.4% from RMB10,832.2 million in 2015. Excluding No. 9 Metallurgical Construction's revenue contribution of RMB2,882.0 million from July to December, comparable revenue of engineering and construction contracting business before inter-segment elimination was RMB11,890.2 million in 2016, representing an increase of 9.8% over 2015, primarily due to the the increase in the projects in respect of the Company's orders on hand entered into its construction peak, resulting in the increase in the revenue.

Cost of sales. In 2016, cost of sales of engineering and construction contracting business was RMB12,774.4 million, representing an increase of 38.3% from RMB9,238.3 million in 2015. Excluding the effect of No. 9 Metallurgical Construction of RMB2,685.1 million, comparable cost of sales of engineering and construction contracting business was RMB10,089.3 million in 2016, representing an increase of 9.2% over 2015, primarily due to increase in cost expenses corresponding to the increase of income.

Gross profit. In 2016, gross profit of engineering and construction contracting business was RMB1,997.8 million, representing an increase of 25.3% from RMB1,593.9 million in 2015. The gross profit margin was 13.5%, representing a decrease of 1.2 percentage points from 14.7% in 2015, primarily due to the decrease in the gross profit margin attributable to the increased proportion of the municipal and civil business

Selling and marketing expenses, and business tax and surcharges. In 2016, selling and marketing expenses, and business tax and surcharges of engineering and construction contracting business were RMB87.4 million, representing a decrease of 57.5% from RMB205.8 million in 2015, primarily due to the tax reform of "replacing business tax with value-added tax (營改增)" fully implemented across the mainland China in 2016. As such, the value-added tax is deducted from revenue rather than presented as an expense, resulting in a significant decrease of business tax.

Administrative expenses. In 2016, administrative expenses of engineering and construction contracting business were RMB699.8 million, representing an increase of 22.4% from RMB571.5 million in 2015. Excluding the effect of No. 9 Metallurgical Construction of RMB72.2 million, the comparable administrative expenses of engineering and construction contracting business were RMB627.6 million in 2016, representing an increase of 9.8% over 2015, primarily due to the increase in the provision for bad debts resulting from the increase in trade receivables.

Segment result. Due to the abovementioned causes, segment result of our engineering and construction contracting business were RMB1,186.8 million, representing an increase of 52.0% from RMB780.6 million in 2015, which contributed 90.0% to the operating results of the Group.

Equipment Manufacturing

The principal segment results data of equipment manufacturing business are as follows:

	2016		2015		
	(RMB'000)	***% of segment revenue***	*(RMB'000)*	*% of segment revenue*	*% of change*
Segment revenue	**736,338**	**100.0**	590,070	100.0	24.8
Cost of sales	**(647,240)**	**(87.9)**	(541,849)	(91.8)	19.5
Gross profit	**89,098**	**12.1**	48,221	8.2	84.8
Selling and marketing expenses, and business tax and surcharges	**(20,743)**	**(2.8)**	(8,074)	(1.4)	156.9
Administrative expenses	**(99,804)**	**(13.6)**	(68,392)	(11.6)	45.9
Other (expenses) / income and other (losses) / gains – net	**(481)**	**(0.1)**	46,596	7.9	N/A
Segment result	**(31,930)**	**(4.3)**	18,351	3.1	N/A

Segment revenue. In 2016, revenue of the equipment manufacturing business before inter-segment elimination was RMB736.3 million, representing an increase of 24.8% from RMB590.1 million in 2015. Excluding No. 9 Metallurgical Construction's revenue contribution of RMB119.9 million from July to December, the comparable revenue of the equipment manufacturing business before inter-segment elimination was RMB616.4 million in 2016, representing an increase of 4.5% over 2015, primarily due to the recovery of price for the non-ferrous metals and the increase in investments, leading to the equipment manufacturing business starting to rebound from the bottom during the second half of 2016.

Cost of sales. In 2016, cost of sales of our equipment manufacturing business was RMB647.2 million, representing an increase of 19.5% from RMB541.8 million in 2015. Excluding the effect of No. 9 Metallurgical Construction of RMB75.9 million, the comparable cost of sales of our equipment manufacturing business was RMB571.3 million in 2016, representing an increase of 5.4% over 2015, primarily due to the increase of cost expenses corresponding to the increase of revenue.

Gross profit. In 2016, gross profit of our equipment manufacturing business was RMB89.1 million, representing an increase of 84.8% from RMB48.2 million in 2015. The gross profit margin increased from 8.2% in 2015 to 12.1%. Excluding the effect of No. 9 Metallurgical Construction of RMB44.0 million, the comparable gross profit of our equipment manufacturing business was RMB45.1 million in 2016, representing a decrease of 6.4% over 2015. The gross profit margin decreased from 8.2% in 2015 to 7.3%.

Selling and marketing expenses, and business tax and surcharges. In 2016, selling and marketing expenses, and business tax and surcharges of equipment manufacturing business were RMB20.7 million, representing an increase of 156.9% from RMB8.1 million in 2015. Excluding the effect of No. 9 Metallurgical Construction of RMB3.4 million, the comparable selling and marketing expenses, and business tax and surcharges of equipment manufacturing business were RMB17.3 million in 2016, representing an increase of 113.6% over 2015, primarily due to the significant increase in expenses such as labour costs and transportation expense.

Administrative expenses. In 2016, the administrative expenses of equipment manufacturing business was RMB99.8 million, representing an increase of 45.9% from RMB68.4 million in 2015. Excluding the effect of No. 9 Metallurgical Construction of RMB27.8 million, the administrative expenses of equipment manufacturing business was RMB72.0 million in 2016, representing an increase of 5.3% over 2015, primarily due to the increase in the provision for impairment of trade and other receivables.

Other losses – net. In 2016, the other net losses of the equipment manufacturing business was RMB0.5 million, representing a decrease of RMB47.1 million as compared to the net income of RMB46.6 million in 2015. It was mainly due to the reasons including that China Nonferrous Metals Processing Technology Co., Ltd., a subsidiary of the Company, received equity interests of a company as a gift in 2015, resulting in more other net income in 2015.

Segment result. As a result of the above mentioned, the segment loss of our equipment manufacturing business was RMB31.9 million for 2016, while the segment profit was RMB18.4 million in 2015.

Trading

The principal segment results data of trading business are as follows:

	2016		2015		
		% of segment revenue		*% of segment revenue*	*% of change*
	(RMB'000)		*(RMB'000)*		
Segment revenue	**7,961,134**	**100.0**	6,590,273	100.0	20.8
Cost of sales	**(7,734,048)**	**(97.1)**	(6,400,896)	(97.1)	20.8
Gross profit	**227,086**	**2.9**	189,377	2.9	19.9
Selling and marketing expenses, and business tax and surcharges	**(61,126)**	**(0.8)**	(27,026)	(0.4)	126.2
Administrative expenses	**(15,347)**	**(0.2)**	(15,644)	(0.2)	(1.9)
Other (expenses)/ income and other (losses)/ gains – net	**(6,841)**	**(0.1)**	23,830	0.4	N/A
Segment result	**143,772**	**1.8**	170,537	2.6	(15.7)

Segment revenue. In 2016, revenue of trading segment before inter-segment elimination was RMB7,961.1 million, representing an increase of 20.8% from RMB6,590.3 million in 2015. The fast increase was due to the improvement in the capability of business expansion year by year.

Cost of sales. In 2016, cost of sales of trading segment was RMB7,734.0 million, representing an increase of 20.8% from RMB6,400.9 million in 2015, primarily due to the increase of purchasing cost corresponding to the increase of revenue.

Gross profit. In 2016, gross profit of trading segment was RMB227.1 million, representing an increase of 19.9% from RMB189.4 million in 2015. The gross profit margin remained at the level of 2.9%.

Selling and marketing expenses, and business tax and surcharges. In 2016, selling and marketing expenses, and business tax and surcharges of trading business were RMB61.1 million, representing an increase of 126.2% from RMB27.0 million in 2015, primarily due to the significant increase in the transportation expense and warehousing custody fee corresponding to the increase of revenue.

Administrative expenses. In 2016, administrative expenses of trading business were RMB15.3 million, representing a decrease of 1.9% from RMB15.6 million in 2015, and basically the same as last year.

Other income and other gains – net. In 2016, the other net income and other gains – net of the trading business was a net loss of RMB68,000, representing a decrease of RMB30.6 million in gains as compared to the net gain of RMB23.8 million in 2015, mainly because the subsidiaries of the Company (namely, China Aluminum International Engineering Equipment Co., Ltd. (中鋁國際工程設備有限公司) and Chalieco Hong Kong Corporation Limited) recorded exchange loss in 2016 due to exchange rate changes, as compared to the exchange gain in 2015.

Segment result. As a result of the above mentioned, segment result for the year of trading business were RMB143.8 million, representing a decrease of 15.7% from RMB170.5 million in 2015, contributing 10.9% to the operating results of the Group.

Conditions of Assets and Liabilities

As at the end of 2016, the total assets of the Group were RMB42,572.6 million, and the total liabilities were RMB28,556.1 million.

Composition of assets:

As at 31 December 2016, in the composition of assets, due to the characteristics of our business, trade and note receivables was the largest item which amounted to RMB16,056.8 million, representing 37.7% of the total assets; the amount due from customers for contract work was RMB6,164.1 million, representing 14.5% of the total assets; cash and cash equivalents amounted to RMB7,714.2 million, representing 18.1% of the total assets and an increase of RMB2,866.4 million from last year, mainly due to the issuance of senior perpetual capital securities of USD350.0 million at the end of the year.

Composition of liabilities:

As at 31 December 2016, in the composition of liabilities, trade and other payables was the largest item which amounted to RMB14,762.4 million, representing 51.7% of the total liabilities, followed by the long-term and short-term borrowings of a balance of RMB11,665.1 million as at the end of 2016, representing 40.8% of the total liabilities.

3. FINANCIAL REVIEW

Liquidity and Capital Resources

As of 31 December 2016, the Group had cash and cash equivalents of RMB7,714.2 million, representing an increase of RMB2,866.4 million from the cash and cash equivalents of RMB4,847.8 million as at 31 December 2015, primarily due to: (i) net cash outflow in operating activities was RMB1,192.4 million, representing an increase in outflow of RMB717.3 million from net cash outflow of RMB475.1 million in last year; (ii) net cash outflow in investment activities was RMB295.0 million, representing an increase in outflow of RMB1,859.9 million from net cash inflow of RMB1,564.9 million in last year; (iii) net cash inflow in financing activities of RMB4,329.9 million, representing an increase in inflow of RMB4,798.8 million from net cash outflow of RMB468.9 million in last year; and (iv) the exchange gain of RMB23.9 million arising from assets denominated in foreign currencies due to the depreciation of RMB.

As of 31 December 2016, current assets amounted to RMB34,858.4 million, representing an increase of 41.0% from the RMB24,724.0 million as of 31 December 2015, primarily due to the increase of trade and notes receivables, cash and cash equivalents, amounts due from customers for contract work, prepayments and other receivables.

	At 31 December 2016	**At 31 December 2015**	*Percentage of growth over last year*	*Year-on-year increase RMB' million*
	RMB' million	*RMB' million*		
Trade and notes receivables	14,419.0	10,687.8	34.9%	3,731.2
Cash and cash equivalents	7,714.2	4,847.8	59.1%	2,866.4
Amounts due from customers for contract work	6,164.1	4,098.5	50.4%	926.2
Prepayments and other receivables	4,256.7	3,330.5	27.8%	2,065.6

The reason for the growth was mainly due to the inclusion of No. 9 Metallurgical Construction in the consolidated financial statements for 2016 by the Company.

As of 31 December 2016, the current liabilities amounted to RMB25,436.9 million, representing an increase of 31.9% from RMB19,288.4 million as of 31 December 2015, primarily due to the increase of trade and other payables. As of 31 December 2016, trade and other payables amounted to RMB14,740.4 million, representing an increase of 33.2% from RMB11,070.1 million as of 31 December 2015. The reason for the growth was mainly due to the inclusion of No. 9 Metallurgical Construction in the consolidated financial statements for 2016 by the Company.

As of 31 December 2016, the net current assets were RMB9,421.5 million, representing an increase of 73.3% from the net current assets of RMB5,435.6 million as of 31 December 2015. The reasons for the growth were mainly due to the growth arising from the acquisition of No. 9 Metallurgical Construction, and the increase in application of working capital resulting from the growth in revenue.

As of 31 December 2016, the current ratio was 1.37, representing an increase of 0.09 compared to the current ratio of 1.28 as of 31 December 2015. The Company maintained sufficient capability of repayment.

Borrowings

As of 31 December 2016, the Group had outstanding borrowings of RMB11,665.1 million (including ultra short-term financing of RMB2,541.0 million, short-term borrowings of RMB7,143.9 million, long-term corporate bonds of RMB919.5 million, and long-term borrowings of RMB1,060.7 million), representing an increase of RMB2,992.4 million from RMB8,672.7 million as of 31 December 2015. As at the end of 2016, net interest-bearing liabilities (interest-bearing liabilities less cash and cash equivalents) amounted to RMB3,950.9 million.

Gearing Ratio

The Group monitors its capital structure on the basis of gearing ratio. As of 31 December 2016 and 31 December 2015, the Group's gearing ratios were 66.3% and 67.1%, respectively. The gearing ratio is maintained within the reasonable range determined by the Company.

Capital Expenditure

The Group had capital expenditure of RMB776.4 million in 2016, representing an increase of 215.9% from RMB245.8 million in 2015. Except for additions of RMB442.4 million resulting from the acquisition of No. 9 Metallurgical Construction, the capital expenditure was primarily used for the acquisition of production facilities and equipment. Among which, RMB73.2 million was for the engineering design and consultancy business segment; RMB187.7 million was for the engineering and construction contracting segment; RMB73.0 million was for the equipment manufacturing segment; and RMB0.1 million was for the trading segment. Capital resources mainly included self-owned capital and borrowings from banks and other financial institutions.

Pledge of Assets of the Company

As of 31 December 2016, the Group pledged an investment property, certain trade and notes receivables and certain time deposits to secure the long-term borrowing and short-term borrowing amounting to RMB344.2 million and RMB966.0 million respectively.

Financial Guarantee

(a) The Company is required to take the responsibility of paying the outstanding balance of the principal and the relevant expected earnings to Harvest Capital once Shanghai Fengtong Fund fails to make the payment in accordance with the terms of the relevant contracts.

The Directors reviewed all of the relevant contracts and information, and assessed the fair value of the obligation of paying the outstanding balance. The fair value of such obligation was not material, as the payment of the principal and interests made by Shanghai Fengtong Fund was on schedule and the risk of default is remote. Therefore, no provision in relation to such obligation was made.

(b) As at 31 December 2016, the Group's subsidiary, No. 9 Metallurgical Construction issued joint liability guarantees in respect of the following loans:

- a bank loan of RMB74,000,000 borrowed by Mianxian Urban Development Investments Limited, which is due for repayment on 6 January 2023; and

- a loan with a principal of RMB100,000,000 borrowed by Xianyang Emerging Textile Industry Park Electricity Supply Company Limited from China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), which is due for repayment on 29 July 2018.

As at 31 December 2016, the Group's subsidiary, Hanzhong No. 9 Metallurgical Construction Co., Ltd, issued a joint liability guarantee in respect of a bank loan of RMB100,000,000 borrowed by Mianxian Urban and Rural Infrastructure Construction Co., Ltd, which is due for repayment on 19 October 2027.

The Directors reviewed all of the relevant contracts and information, and assessed that the fair values of the above financial guarantees were not material, as the repayments made by the above borrowers were on schedule and the risk of default is remote. As such, no provision was made for such financial guarantees.

Contingent Liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities.

Major Acquisitions and Disposals

On 30 June 2016, the Group completed the acquisition of No. 9 Metallurgical Construction by obtaining the substantial control.

Save for the issue, during 2016, the Company's subsidiaries, associates and joint ventures did not have major acquisitions and disposals.

4. RISK FACTORS

The activities of the Group are exposed to a variety of financial risks, including but not limited to operational risks (including the risks arising from cost overruns and project delay) and risks of foreign exchange rate fluctuation. The management of the Company monitored an array of risks to ensure the adoption of appropriate measures in a timely and effective manner.

Risks Relating to Cost Overruns

In 2016, the Group generated a substantial portion of revenue from contracts with a fixed price in our EPC contracting. The terms of these contracts required us to complete a project at a pre-agreed price and therefore exposed us to cost overruns. Our estimates of the costs for completing a project involved a multitude of assumptions, including economic outlook, cost and availability of labor and raw materials, subcontractors' performance, facility utilization rates, and construction and technical standards to be applied to the project. However, these assumptions may prove to be inaccurate. Depending on the terms agreed in specific contracts, inevitably, we are subject to a certain extent of raw material price fluctuation risks in some projects. In addition to that, delays caused by inclement weather, technical issues, inability to obtain the requisite permits and approvals, as well as other variations and risks embodied in the performance of contracts, may cause substantial difference between the actual overall risks and costs despite the buffers we have built into our bids for increase in labor, raw materials and other costs. Cost overruns could result in a profit lower than expected or a loss in a project.

Risks Relating to Project Delay

We may be unable to complete a project in accordance with the schedule set forth in the relevant contract. A project could be delayed for a number of reasons, including but not limited to those relating to market conditions; policies and regulations of the PRC and other relevant jurisdictions; availability of funding; disputes with business partners, technology and equipment suppliers and other contractors, employees, local governments and communities; natural disasters; power and other energy supplies; and availability of technical or human resources. Our overseas engineering and construction contracting projects may also be affected by factors such as deteriorations in relationships between China and relevant foreign governments; war or other significant adverse developments in international relations. In addition, we may need to execute extra work or "change initiated by owner" work in connection with our contracts from time to time. "Change initiated by owner" work is necessary when the project owner changes the design for non-technical reasons after the design plan is confirmed. This may result in disputes in defining work performed beyond the scope as stipulated in the original project specifications, or over the additional price that the customer should pay for the extra work. Even if the customer agrees to pay for the extra work or "change initiated by owner" work, prior to the approval of changes in the design by the owner and the receipt of funds, We may need to finance the cost for a prolonged period of time. In addition to that, any delay caused by the extra work may affect the progress of our projects and our ability to meet the established milestone dates of the specific contract. Costs may also incur due to design changes not approved by the project owner or any contractual disputes.

Risks Relating to Foreign Exchange Rate Fluctuation

A majority of the Group's operations are conducted in the PRC, with the use of Renminbi as the functional currency. A substantial portion of our revenues and cost of sales were denominated in Renminbi during the financial year ended 31 December 2016. However, we conduct part of our engineering and construction contracting business overseas, and may make significant equity and other investments in overseas projects. Our foreign currency denominated assets and liabilities are expected to increase significantly as we further expand our overseas business, particularly when undertaking more EPC projects. We are, therefore, exposed to risks associated with foreign exchange rate fluctuations.

Changes in the value of foreign currencies could affect our Renminbi costs and revenues, and the prices of our exported products and imported equipment. Any increased costs or reduced revenues as a result of foreign currency fluctuations could adversely affect our profits and profit margins. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies. Generally, an appreciation of Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange loss for assets denominated in U.S. dollars and other foreign currencies, and a foreign exchange gain for liabilities denominated in U.S. dollars and other foreign currencies. Conversely, a devaluation of Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange gain for assets denominated in U.S. dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in U.S. dollars and other foreign currencies.

The changes in the exchange rate of Renminbi may be subject to changes in China's governmental policies and international economic and political developments. There can be no assurance that the exchange rate of Renminbi will remain stable against the U.S. dollar or other foreign currencies in the market. Although the international community generally welcome the Renminbi revaluation, it still put great pressure on the Chinese government in order to have a more flexible monetary policy, which may lead to a further large increase in Renminbi appreciating against US dollar or other foreign currencies. Fluctuations in exchange rates may adversely affect the value, converted into U.S. dollars or Hong Kong dollars, of our net assets, gains and any declared dividends.

Risks Relating to Price Fluctuation

Our success is relying on whether we can acquire sufficient labor, raw materials, auxiliary materials, energy, water supply and other products from the suppliers with acceptable price and quality on time. We are in face with risks relating to the market price fluctuation of certain raw material and other products, for example, steel, cement, aluminum, wood, sand, explosives, waterproofing material, geotechnical material and additives used in our engineering and construction contracting, and equipment manufacturing. The price and supply of such materials may have significant fluctuation according to customers' needs, manufacturer' production capacity, market condition and costs of materials in different times. Especially for the influences of our main raw materials in need for operation, such as steel, cement and aluminum, from cyclical fluctuation of price level and periodic supply shortage in China. In addition to that, our relationship with the raw material suppliers will have severe adverse influence and may lead to negative effects on our business operation if we cannot meet the payment deadline to pay those suppliers according to the contract of raw material supply. Conditions of price increase of energy (including the prices of fuel and electricity and water supply) may also adversely influence our business, especially our equipment manufacturing business.

Others

As we plan to focus on certain overseas markets selectively and strategically develop overseas business, we expect to continue to generate substantial income and profit from international projects and other overseas business in the foreseeable future. Therefore, we are exposed to various risks relating to business expansion in overseas countries and regions, including but not limited to political risks, economical, financial and market instability and credit risks, risks relating to appointing foreign agents in operating overseas business, the periodicity and demand of international engineering design and construction, competition, preferential measures or commercial bribe of other international and domestic companies, tax increase or unfavorable tax policies, foreign exchange control and fluctuation.

5. BUSINESS PROSPECTS IN 2017

Industry Outlook in 2017

Despite nonferrous metals industry shows signs of stabilization as a whole, the oversupply has not fundamentally reversed. The market environment remains grim, hence the eliminating or transferring of outdated industrial capacity will be the focus of the industry development. Opportunities of the Group in the non-ferrous market mainly lie in extending the applications of aluminum, copper and other nonferrous metals and promoting international cooperation in production capacity and leading the technological improvement of the industry.

It is anticipated that investment in infrastructure will continue to increase in 2017. Market potentials can be seen in "One Belt, One Road", new urbanization construction, PPP projects which are based on "sponge city" and "underground integrated pipeline" and architectural industrialization, while the market competition remains severe.

Business Outlook of the Company in 2017

(I) Focusing on Market Development and Achieving Breakthrough in Marketing Quality

1. **To improve marketing capability**. We will strengthen the formulation of the three-level marketing system of the Group headquarter, its members and regional companies. We will also enhance our marketing planning, create differentiation advantage and increase the winning rate of tender projects. Efforts will be made in constructing the management system for major customers and strategic customers and second operation will be conducted with quality major customers that have cooperated with the Group previously.

2. **To decide marketing direction**. Capturing two markets with a market-oriented and customer-centric strategy: One of them is the non-ferrous market. While capturing incremental engineering in such field, good technical results are applied on energy saving and consumption reduction of the existing stocks and technology improvement. The other is the civil market. With the focus on business such as municipal infrastructure, water environmental protection, energy saving and emission reduction, rebuilding of shantytowns and new town construction, we will concentrate our strengths to achieve a significant breakthrough.

3. **To change the business model**. We will fully utilize the function of funds and capitals, so as to support big projects with small funds and increase the proportion of large projects.

4. **To expand overseas markets**. The Group will set up overseas marketing institutions in key regions, including South Africa and Central Asia, to enhance the market development capability of existing overseas institutions in Vietnam, Indonesia, India and Central and South America regions. Closely following the country's "One Belt, One Road" strategy, we will strengthen the connection with Ministry of Commerce, Ministry of Foreign Affairs, domestic and international financial institutions and relevant state-owned enterprises, and strive to expand overseas markets by means of "borrowing boat to sail" and "creation of projects".

(II) Focusing on Project Management to Achieve Breakthrough in Branding

1. **To emphasize on project performance**. We will further enhance the equipment of project management personnel, attach importance to project management planning, secure resources investment, strengthen process control and ensure the effective performance of project schedules.

2. **To increase project efficiency**. By taking the measure of cost segregation, we will intensify the promotion of project manager responsibility system and project cost auditing system. Project risk will be secured to accelerate the implementation of the above project systems, thereby realizing the simultaneous growth of project efficiency and employees' revenue.

3. **To develop branding project**. The promotion of the management experience of internal benchmarking projects will be conducted on an on-going basis. We will thoroughly organize activities of benchmarking project building and create branding projects, so as to perform marketing on site.

(III) Focusing on Research and Development and Innovation to Achieve New Breakthrough in Technology Leadership

1. **To focus on technology research and development**. Emphasis will be placed on conducting relevant technology research and development based on the theme of "Made in China (2025)", especially in the intelligent manufacturing field such as "digital electrolytic cells", "3D smart mines" "MES system of non-ferrous metal factories", "unmanned and automatic detecting technology for underground goafs" and other energy saving and environmental areas, with the aim to achieve new outcome as soon as possible. For the stock production capacity, the Group will target on energy saving, environmental protection and high efficiency to increase the intensity of technology promotion, therefore taking the initiative to create values for customers.

2. **To achieve breakthrough in the major areas**. Efforts will be made in building technology research and development platform to accelerate cooperation with external technology enterprises and solve the industry technology difficulties. In 2017, we will work hard to solve the technology difficulties in respect of the production of alumina by low grade bauxite to achieve effective use of resources.

(IV) Focusing on Capital Operation to Achieve Breakthrough in Financing Channels

To widen financing channels. To introduce more financial institutions with state-owned background and strengthen connection with institutions such as funds and trusts to complement resources. Attempt will be made in the commencement of financing business such as assets securitization, factoring and project funds. We will also optimize the existing debt structure and fully utilize a variety of debt financing instruments to reduce the finance cost of debts.

(V) Focusing on Transformation and Upgrading to Attain New Breakthrough in Value Creation

1. **To determine transformation strategy**. Industrial chain will be extended at all aspect. Firstly, it will move towards relevant diversification to develop the new business that is competitive, valuable and strategically compatible on the Group's business value chain; secondly, it will reach out to the field of technology engineering service, which will stretch towards the technology and investment and financing at upstream and technology service and maintenance security at downstream; thirdly, it will expand to the whole process project service to achieve general undertaking of whole procedure, whole process and whole elements; fourthly, exploration of overseas business in the non-ferrous metals and ferrous metals industry markets will take place at the same time, during which transformation will be carried out towards the business of financial value-added service such as the provision of EPC+F, in order to enlarge the percentage of overseas business to the whole business.

2. **To develop aluminum for industrial use**. We will focus on searching the way to marketing and development management and greatly promote the development of aluminum for industrial use. The marketing investment on developed products will also be enhanced and signed contracts will be realized into profit. Moreover, the research and development of aluminum for industrial structural use, aluminum for construction ornament use and high value-added products of aluminum for transport, electronic and electricity use will be speeded up. We will enhance the cooperation with end customers to enlarge the engineering application of aluminum products on an on-going basis.

(VI) Focusing on Risk Management to Achieve Breakthrough in Safe Development

1. **To control the market risk**. Sound customer credit rating system and credit managing system will be in place to prevent any credit risk arising from customers. Also, risks of contracts, policies, politics and exchange rates of overseas projects will be under strict control to ensure a healthy development in overseas markets.

2. **To control the safety risk**. The safety risk security system is making progress. We will commence a comprehensive on-site standardized site construction regarding civilized construction and implement safety management obligation at all levels, thereby preventing any environmental safety risk.

3. **To control the "Two Compensation" risk**. We will strictly control the "Tow Compensation" limit and formulate an annual "Two Compensation" reduction plan to further improve the operating cash flow and solve the Group's operation risk.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of 31 December 2016, the Board consisted of seven Directors, including two executive Directors, two non-executive Director and three independent non-executive Directors. Among which, Mr. ZHANG Chengzhong ceased to be the chairmen of the Company from 8 March 2016 due to job reassignment. Mr. HE Zhihui has been appointed in place of Mr. ZHANG Chengzhong as the chairman of the Company on 8 March 2016. Mr. LI Yihua served as the non-executive Director, with effect from 25 May 2016.

For better compliance with code provision A.2.1 set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**"), the role of chairman and the chief executive officer shall be taken by different individuals, therefore, Mr. HE Zhihui resigned from the post of president of the Company on 31 October 2016, and Mr. ZONG Xiaoping has been appointed in place of Mr. HE Zhihui as the president of the Company on 31 October 2016. Due to retirement, Mr. QIN Qiwu ceased to be the vice president of the Company from 21 August 2016. Mr. WU Zhigang served as a vice president of the Company from 8 August 2016. Mr. CHANG Yaomin served as a vice president of the Company from 8 August 2016.

In 2016, There was no change in supervisors of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in 2016.

FINAL DIVIDEND

In accordance with the "Notice about the Issue of Distributing the Profits of Overseas Listed Pilot Enterprises Implementing the Shareholding System (Caihuizi 1995 No. 31) (《關於境外上市的股份制試點企業利潤分配問題的通知》(財會字199531號))", by comparing the profit available for distribution under the Accounting Standard for Business Enterprises of the PRC and IFRSs, the following distribution of profits is based on the profit available for distribution under IFRSs, which is the less stringent principle.

The profit available for distribution of the Group at the end of 2016 was RMB4,228.7 million.

The Company proposed to distribute a total of RMB231.7 million with a cash dividend of RMB0.87 (tax inclusive) per 10 shares based on the total share capital of 2,663,160,000 shares as at 31 December 2016. The dividends will be paid on or around Friday, 21 July 2017. The remaining undistributed profits of the Company are reserved for distribution in the coming years.

In accordance with the "Enterprise Income Tax Law of the People's Republic of China" (《中華人民共和國企業所得稅法》) and its implementation regulations which came into effect from 1 January 2008, the Company is required to withhold and pay enterprise income tax at the tax rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares when distributing the cash dividends to them. Any H shares not registered under the name of an individual shareholder, including Hong Kong Securities Clearing Company Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. If shareholders of H shares intend to change its shareholder status, they should enquire about the relevant procedures with their agents or trustees. The Company will strictly comply with the requirements of laws and regulations or relevant government authorities to withhold and pay the enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares as at the record date for entitlement of the proposed payment of 2016 final dividends.

If the individual shareholders of H shares are Hong Kong or Macau residents or residents of other countries which have an agreed tax rate of 10% for the cash dividends paid to them with the PRC under the relevant tax agreements, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a tax rate of 10%. Should the individual shareholders of H shares be residents of the countries which have an agreed tax rate of less than 10% with the PRC under the relevant tax agreements, the Company shall withhold and pay individual income tax on behalf of the relevant shareholders at a tax rate of 10%. In such case, if the relevant individual shareholders of H shares wish to reclaim the extra amount withheld and paid (the "**Extra Amount**"), the Company may, on behalf of the relevant shareholders, apply for the agreed preferential tax treatment in accordance with the tax agreements provided that the relevant shareholders shall submit the evidence required by the notice of the tax agreement to the Company's H share registrar within the time limit. The Company will assist with the refund of the Extra Amount after the consideration and approval by the competent tax authorities. Should the individual shareholders of H shares be residents of the countries which have an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreements, the Company shall, on behalf of the relevant shareholders, withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreements. In the case that the individual shareholders of H shares are residents of the countries which have an agreed tax rate of 20% with the PRC under the tax agreements, or which have not entered into any tax agreement with the PRC, or otherwise, the Company shall, on behalf of the relevant shareholders, withhold and pay the individual income tax at a tax rate of 20%.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H-share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H-share shareholders or any disputes over the withholding mechanism or arrangements.

Information in respect of change of accounting policies and accounting estimates or correction of significant accounting errors

In 2016, there was no change of accounting policy, accounting estimate and significant accounting error of the Group.

Events after the Reporting Period

From 31 December 2016 to the date of this results announcement, there was no significant event of the Group.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders entitled to the final dividends, the register of members will be closed from Saturday, 27 May 2017 to Thursday, 1 June 2017, both days inclusive. Shareholders of H shares and domestic shares whose names appear on the register of members of the Company on Thursday, 1 June 2017 are entitled to the final dividends. In order to be entitled to the final dividends, the shareholders of H shares of the Company shall lodge all share transfer documents together with relevant H share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30p.m. on Friday, 26 May 2017 for registration of transfer of shares.

In order to determine the list of shareholders entitled to attend and vote at the annual general meeting of the Company to be held on Tuesday, 23 May 2017, the register of members will be closed from Sunday, 23 April 2017 to Tuesday, 23 May 2017, both days inclusive. Shareholders of H shares and domestic shares whose names appear on the register of members of the Company on Tuesday, 23 May 2017 are entitled to attend and vote at such general meeting. In order to be entitled to attend and vote at such general meeting, the shareholders of H shares of the Company shall lodge all share transfer documents together with relevant H share certificates with the aforesaid H Share registrar no later than 4:30p.m. on Friday, 21 April 2017 for registration of transfer of shares. In order to be entitled to attend and vote at such general meeting, the shareholders of domestic shares of the Company shall lodge all share transfer documents together with relevant domestic share certificates with the Company no later than 4:30p.m. on Friday, 21 April 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES

The Company adhered to maintain a high standard of corporate governance as a listed company on The Stock Exchange. During the year ended 31 December 2016, the Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, and adopted in its best practice proposed in which as appropriate.

Under code provision A.2.1 of the CG Code contained in Appendix 14 to the Listing Rules, the role of the chairman and chief executive officer should be separated and should not be performed by the same individual. However, as Mr. ZHANG Chengzhong ceased to be the chairman of the Company from 8 March 2016 when Mr. HE Zhihui has been served as the chairman and the president until the Company appointed Mr. ZONG Xiaoping as our president on 31 October 2016.

Save as disclosed above, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct for dealings in the securities of the Company by all of our Directors and supervisors. Having made specific enquiries with the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they have strictly complied with the standards stipulated in the Model Code during the reporting period.

AUDITOR

PKF Hong Kong was appointed as the Company's auditor for the audit of the consolidated financial statements for the year ended 31 December 2016 prepared in accordance with the IFRSs. PKF Hong Kong has audited the accompanying consolidated financial statements which are prepared in accordance with IFRSs.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2016 annual results and the consolidated financial statements for the year ended 31 December 2016 prepared in accordance with the IFRSs.

PUBLICATION OF THE ANNUAL RESULTS AND THE ANNUAL REPORT

This results announcement is published on the website of HKExnews of the Stock Exchange at http://www.hkexnews.com.hk and the Company's website at http://www.chalieco.com.cn.

The Company's 2016 annual report containing all the information required under the Listing Rules will be despatched to the shareholders and will be published on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
China Aluminum International Engineering Corporation Limited
ZHAI Feng
Joint Company Secretary

Beijing, the PRC, 20 March 2017

As at the date of this announcement, the non-executive Directors are Mr. WANG Jun and Mr. LI Yihua; the executive Directors are Mr. HE Zhihui and Mr. ZHANG Jian; and the independent non-executive Directors are Mr. SUN Chuanyao, Mr. CHEUNG Hung Kwong and Mr. FU Jun.